

CONFORMED COPY

CREDIT NUMBER 3034 VN

Development Credit Agreement

(Transmission, Distribution and Disaster Reconstruction Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 25 , 1998

CREDIT NUMBER 3034 VN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated November 25, 1998, between SOCIALIST REPUBLIC OF VIETNAM (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) Parts A and B of the Project will be carried out by Electricity of Vietnam (EVN), Parts C and G(2) of the Project will be carried out by Ho Chi Minh City Power Company (HCMCPC), Parts D(1) and D(2) of the Project will be carried out by Power Company No. 1 (PC1) and Parts D(3) and G(1) of the Project will be carried out by Power Company No. 2 (PC2), in each case with the Borrower's assistance, and as part of such assistance, the Borrower will make available to EVN, HCMCPC, PC1 and PC2 a portion of the proceeds of the Credit as provided in this Agreement; and

(C) the Borrower intends to contract from the Swedish Export Credit Corporation (SECC) a loan (the Swedish Loan) in an aggregate principal amount equivalent to approximately one hundred twelve million Swedish Kroner (SEK 112,000,000) to assist in financing Part B of the Project on the terms and conditions set forth in an agreement (the SECC Agreement) to be entered into between the Borrower and SECC, and the Borrower also intends to contract from the Swedish International Development Cooperation Agency (SIDA) a grant (the SIDA Grant) in Swedish Kroner in an amount equivalent to approximately three million six hundred

thousand Dollars (\$3,600,000) to assist in financing Part F of the Project on the terms and conditions set forth in an agreement (the SIDA Grant Agreement) to be entered into between the Borrower and SIDA;

(D) the Borrower intends to contract from the Asian Development Bank (ADB) a grant (the ADB Grant) in an amount equivalent to eight hundred thousand Dollars (\$800,000) to assist in financing Part E of the Project on the terms and conditions set forth in an agreement (the ADB Grant Agreement) to be entered into between the Borrower and ADB;

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith among the Association, EVN, HCMCPC, PC1 and PC2;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) The second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

- (c) Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Association. If (a) the right of the Borrower to make withdrawals from the Credit Account shall have been suspended with respect to any amount of the Credit for a continuous period of thirty days, or (b) at any time, the Association determines, after consultation with the Borrower, that an amount of the Credit will not be required to finance the Project's costs to be financed out of the proceeds of the Credit, or (c) at any time, the Association determines, with respect to any contract to be financed out of the proceeds of the Credit, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Credit during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Association to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (d) at any time, the Association determines that the procurement of any contract to be financed out of the proceeds of the Credit is inconsistent with the procedures set forth or referred to in the Development Credit Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (e) after the Closing Date, an amount of the Credit shall remain unwithdrawn from the Credit Account, the Association may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Credit shall be canceled."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms wherever used in this

Agreement have the following meanings:

(a) "Affected Person" means a person who on account of the execution of the Project had or would have his or her: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land, annual and perennial crops and trees) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) business, occupation, work or place of residence or habitat, adversely affected, temporarily or permanently; and "Affected Persons" means, collectively, all persons who qualify as an Affected Person.

(b) "Category" means a category set out in the table in paragraph 1 of Schedule 1 to this Agreement.

(c) "Cofinancing Agreements" means the SECC Agreement, the SIDA Grant Agreement and the ADB Grant Agreement, collectively.

(d) "Distribution System (Halong) RAP" means the detailed resettlement action plan for carrying out Part D(1) of the Project, satisfactory to the Association, prepared by PC1 and approved by the People's Committee of Halong City on November 3, 1997, and by MOI on November 15, 1997, as such plan may be amended from time to time by agreement among EVN, the Association, the People's Committee of Halong City and PC1, with the approval of MOI.

(e) "Distribution System (Vinh) RAP" means the detailed resettlement action plan for carrying out Part D(2) of the Project, satisfactory to the Association, prepared by PC1 and approved by the People's Committee of Vinh City on October 30, 1997, and by MOI on November 15, 1997, as such plan may be amended from time to time by agreement among EVN, the Association, the People's Committee of Vinh City and PC1, with the approval of MOI.

(f) "Distribution System (Vung Tau) RAP" means the detailed resettlement action plan for carrying out Part D(3) of the Project, satisfactory to the Association, prepared by PC2 and approved by the People's Committee of Vung Tau City on October 25, 1997, and by MOI on November 15, 1997, as such plan may be amended from time to time by agreement among EVN, the Association, the People's Committee of Vung Tau City and PC2, with the approval of MOI.

(g) "Environmental Impact Analysis" means the Environmental Impact Analysis for Part A of the Project dated July 1997, approved by the Borrower, and includes environmental mitigation measures for said Part of the Project.

(h) "EVN" means Electricity of Vietnam, an enterprise established pursuant to Decree No. 14/CP of the Borrower, dated January 27, 1997, and operating under the EVN Charter, and any successor thereto.

(i) "EVN Charter" means the charter of EVN, issued under Decree 562/Ttg of the Prime Minister of the Borrower, dated October 10, 1994, as amended to the date of this Agreement.

(j) "EVN Special Account" means the account established for the purpose of Part A of the Project and referred to in Section 2.02(b) of this Agreement.

(k) "EVN Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and EVN pursuant to Section 3.02 (a)(i) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the EVN Subsidiary Loan Agreement.

(l) "Fiscal Year" means the Borrower's fiscal year commencing on January 1 and ending on December 31.

(m) "HCMCPC" means Ho Chi Minh City Power Company, established and operating pursuant to the HCMCPC Charter, and any successor thereto.

(n) "HCMCPC Charter" means the charter of HCMCPC, dated March 27, 1995, as amended to the date of this Agreement.

(o) "HCMCPC Special Account" means the account established for the purpose of Part C of the Project and referred to in Section 2.02(b) of this Agreement.

(p) "HCMCPC Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and HCMCPC pursuant to Section 3.02 (a)(ii) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the HCMCPC Subsidiary Loan Agreement.

(q) "MOI" means the Borrower's Ministry of Industry, and any successor thereto.

(r) "MOF" means the Borrower's Ministry of Finance, and any successor thereto.

(s) "Power Companies" means HCMCPC, PC1 and PC2, collectively, and "Power Company" means any of the Power Companies.

(t) "Power Development Program" means EVN's ten-year power development program and the associated five-year implementation plan and financing plan in respect thereof, for the efficient expansion and development of its power generation and transmission systems, as such program may be revised from time to time with the agreement of the Association.

(u) "Project Agreement" means the agreement between the Association and EVN, HCMCPC, PC1 and PC2, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement.

(v) "PC1" means Power Company No. 1, established and operating pursuant to the PC1 Charter, and any successor thereto.

(w) "PC1 Charter" means the charter of PC1, dated April 7, 1995, as amended to the date of this Agreement.

(x) "PC1 Special Account" means the account established for the purpose of Parts D(1) and D(2) of the Project and referred to in Section 2.02(b) of this Agreement.

(y) "PC1 Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and PC1 pursuant to Section 3.02 (a)(iii) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the PC1 Subsidiary Loan Agreement.

(z) "PC2" means Power Company No. 2, established and operating pursuant to the PC2 Charter, and any successor thereto.

(aa) "PC2 Charter" means the charter of PC2, dated April 28, 1995, as amended to the date of this Agreement.

(bb) "PC2 Special Account" means the account established for the purpose of Part D(3) of the Project and referred to in Section 2.02(b) of this Agreement.

(cc) "PC2 Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and PC2 pursuant to Section 3.02 (a)(iv) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the PC2 Subsidiary Loan Agreement.

(dd) "Resettlement Action Plans" means the Distribution System (Halong) RAP, the Distribution System (Vinh) RAP, the Distribution System (Vung Tau) RAP, the Transmission System (220kV) RAP and the Transmission System (500kV) RAP, collectively.

(ee) "Respective Parts of the Project" means, for EVN and each Power Company, the parts of the Project which EVN or such Power Company is obligated to carry out in accordance with Section 2.01 of the Project Agreement.

(ff) "Special Accounts" means the EVN Special Account, the HCMCPC Special

Account, the PC1 Special Account and the PC2 Special Account, collectively.

(gg) "Subsidiary Loan Agreements" means the EVN Subsidiary Loan Agreement, the HCMCPC Subsidiary Loan Agreement, the PC1 Subsidiary Loan Agreement and the PC2 Subsidiary Loan Agreement, collectively, and the term "Subsidiary Loan Agreement" means any one of the Subsidiary Loan Agreements.

(hh) "Transmission System (220kV) RAP" means the Tao Dan-Nha Be Underground Cable and Overhead Transmission Line Resettlement Action Plan for carrying out Part C of the Project, dated July 7, 1997, satisfactory to the Association, prepared by HCMCPC and approved by the People's Committee of Ho Chi Minh City on November 10, 1997 and by MOI on November 15, 1997, as such plan may be amended from time to time by agreement among EVN, the Association, the People's Committee of Ho Chi Minh City and HCMCPC, with the approval of MOI.

(ii) "Transmission System (500kV) RAP" means the Pleiku-Phulam EHV Transmission Line Resettlement Action Plan for carrying out Part A of the Project, dated August 1997, satisfactory to the Association, prepared by EVN and approved by MOI on November 15, 1997, as such plan may be amended from time to time by agreement between the Association and EVN, with the approval of MOI.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to one hundred forty four million four hundred thousand Special Drawing Rights (SDR 144,400,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars four special deposit accounts (the EVN Special Account for Part A of the Project, the HCMCPC Special Account for Parts C and G(2) of the Project, the PC1 Special Account for Parts D(1) and D(2) of the Project, and the PC2 Special Account for Parts D(3) and G(1) of the Project) each in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, each respective Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2002 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other

eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on January 1 and July 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each January 1 and July 1 commencing July 1, 2008 and ending January 1, 2038. Each installment to and including the installment payable on January 1, 2018 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end:

(i) shall, through MOI and other relevant agencies of the Borrower, carry out efficiency and in financial practices and shall facilities, services and other of the Project; and
Parts E and F of the Project with due diligence and conformity with appropriate administrative and provide, promptly as needed, the funds, resources required for said Parts

(ii) without any limitation or restriction upon any of its other obligations under cause EVN to carry out
the Development Credit Agreement, the Borrower, shall Parts A and B of the Project, HCMCPC to carry

out Parts C and G(2) of the Project, and PC2 to carry out Parts D(1) and D(2) of the Project, and PC1 to carry out Parts D(3) and G(1) of the Project, and shall cause each of EVN and the Power Companies to perform in accordance with the provisions of the Project Agreement all of its obligations therein set forth, all with due diligence and efficiency and in conformity with appropriate administrative, engineering, environmental, financial, public utility, resettlement and technical practices, and shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, and the adjustment of tariffs, necessary or appropriate to enable EVN and the Power Companies to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section, and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out Parts E and F of the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. (a) The Borrower shall, through MOF, relend, under terms and conditions which shall have been approved by the Association:

(i) the proceeds of the Credit allocated from time to time to Categories 1(a) and 2(a) to EVN under a subsidiary loan agreement to be entered into between the Borrower and EVN (the EVN Subsidiary Loan Agreement);

(ii) the proceeds of the Credit allocated from time to time to Categories 1(b), 2(b) and 2(g) to HCMCPC under a subsidiary loan agreement to be entered into between the Borrower and HCMCPC (the HCMCPC Subsidiary Loan Agreement);

(iii) the proceeds of the Credit allocated from time to time to Categories 2(c) and 2(d) to PC1 under a subsidiary loan agreement to be entered into between the Borrower and PC1 (the PC1 Subsidiary Loan Agreement); and

(iv) the proceeds of the Credit allocated from time to time to Categories 2(e) and 2(f) to PC2 under a subsidiary loan agreement to be entered into between the Borrower and PC2 (the PC2 Subsidiary Loan Agreement).

(b) The terms and conditions of the Subsidiary Loan Agreements shall include the following:

(i) the principal amount of each subsidiary loan shall be repaid by EVN, HCMCPC, PC1 and PC2, as the case may be, in Dollars to the Borrower over twenty years, including a grace period of five (5) years;

(ii) the principal amount of the subsidiary loan repayable by EVN, HCMCPC, PC1 and PC2, as the case may be, shall be the equivalent in Dollars (determined as of the date, or respective dates, of repayment) of the value of the currency or currencies withdrawn from the Credit Account in respect of the above-mentioned Categories; and

(iii) interest shall be charged on the outstanding balance of each subsidiary loan at a rate of 6.5% per annum.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreements in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, shall not assign, amend, abrogate or waive the Subsidiary Loan Agreements or any provision thereof.

Section 3.03. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this

Agreement.

Section 3.04. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Parts A and B of the Project shall be carried out by EVN, in respect of Parts C and G(2) of the Project shall be carried out by HCMCPC, in respect of Parts D(1) and D(2) of the Project shall be carried out by PC1, and in respect of Parts D(3) and G(1) of the Project shall be carried out by PC2, each pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Accounts for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit report for the Fiscal Year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02(h) of the General Conditions, the following events are specified:

(a) EVN or any of the Power Companies shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that EVN or any of the Power Companies will be able to perform its obligations under the Project Agreement.

(c) The EVN Charter, HCMCPC Charter, PC1 Charter or PC2 Charter shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of EVN, HCMCPC, PC1 or PC2, respectively, to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of EVN or any of the Power Companies or for the suspension of its operations.

(e) The Cofinancing Agreements shall have failed to become effective by December 31, 1998, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(f) (i) Subject to subparagraph (ii) of this paragraph: (A) the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project, including any grant or loan made under the Cofinancing Agreements, shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or (B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01(d) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower;

(b) any event specified in paragraph (c) or (d) of Section 5.01 of this Agreement shall occur;

(c) any event specified in paragraph (e) of Section 5.01 of this Agreement shall occur, subject to the proviso contained therein; and

(d) any event specified in paragraph (f)(i)(B) of Section 5.01 of this Agreement shall occur, subject to paragraph (f)(ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) that the Subsidiary Loan Agreements have been executed on behalf of the parties thereto; and

(b) that the ADB Grant Agreement has been executed on behalf of the parties thereto.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreement has been duly authorized or ratified by EVN, HCMCPC, PC1 and PC2 and is legally binding upon EVN, HCMCPC, PC1 and PC2 in accordance with its terms;

(b) that each of the Subsidiary Loan Agreements has been duly authorized or ratified by and is legally binding upon the parties thereto in accordance with its terms; and

(c) that the Resettlement Action Plans have been duly authorized or ratified pursuant to all necessary or appropriate government action and are legally valid and enforceable in accordance with the laws of the Borrower.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Governor, or any of the Deputy Governors, of the State Bank of Vietnam is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

State Bank of Vietnam
49 Ly Thai To
Hanoi
Socialist Republic of Vietnam

Cable address: Telex:

VIETBANK Hanoi

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address: Telex:

INDEVAS 248423 (MCI) or
Washington, D.C. 64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Hanoi, Socialist Republic of Vietnam, as of the day and year first above written.

SOCIALIST REPUBLIC OF VIETNAM

By /s/ Le Duc Thuy

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Andrew Steer

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category Financed	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be
(1) Consultants' services for:		100%
(a) Part A of the Project	730,000	
(b) Part C of the Project	730,000	
(2) Goods for: of foreign expenditures, 100% of		100%
(a) Part A of the Project expenditures (ex-factory cost)	66,400,000	local
(b) Part C of the Project expenditures for items pro-	32,650,000	and
locally		other
(c) Part D(1) of the Project	7,630,000	cured
(d) Part D(2) of the Project	7,630,000	
(e) Part D(3) of the Project	10,530,000	
(f) Part G(1) of the Project	6,480,000	
(g) Part G(2) of the Project	720,000	
(3) Unallocated	10,900,000	

TOTAL

144,400,000

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 7,300,000, may be made on account of payments made for expenditures before that date but after October 3, 1997.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than \$200,000 equivalent each, (b) consulting services under contracts awarded to consulting firms costing less than \$100,000 equivalent each and (c) consulting services under contracts awarded to individual consultants costing less than \$50,000 equivalent each; all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower to: (a) facilitate evacuation of power from generating stations by strengthening Borrower's high voltage transmission network; (b) reduce losses and improve reliability of electricity supply through rehabilitation and expansion of the distribution systems in the cities of Halong, Vinh and Vung Tau; (c) strengthen the Borrower's power sector regulatory framework by separating EVN's transmission and generation functions, introducing tariff reforms and implementing regulatory reforms; (d) improve the distribution function of the Power Companies through increased commercialization and the introduction of demand side management capabilities; and (e) normalize economic activity in the typhoon-affected areas of the Borrower through the reconstruction of the electricity distribution network in such areas.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: 500 kV Transmission System

(1) Construction of a 500 kilovolt (kV) transmission line of approximately 550 kilometers (km) between Pleiku and Phulam, together with expansion of existing 500 kV substations at Pleiku and Phulam with additional switching bays and associated equipment, and control and dispatch equipment.

(2) Resettlement and rehabilitation of Affected Persons under Part A(1) above.

Part B: Ha Tinh Substation

Expansion of the substation at Ha Tinh with a 450 megavolt ampere (MVA) 500/220/35 kV transformer, a 63 MVA, 220/110/22 kV transformer and associated 220 kV, 110 kV, 35 kV and 22 kV switching bays.

Part C: 220 kV Transmission System

(1) Construction of two 220 kV transmission lines (approximately 2x10 km) connecting Nha Be and Tao Dan substations, together with construction of a gas insulated switchgear (GIS) substation at Tao Dan with two 250 MVA, 220/115/23 kV transformers, two 63 MVA, 115/23/15.7 kV transformers, and six 220 kV and ten 110 kV switching bays.

(2) Resettlement and rehabilitation of Affected Persons under Part C(1) above.

Part D: Distribution Networks

(1) Ha Long Distribution Network

(a) Rehabilitation and upgrading of the distribution network in the city of Ha Long through: (i) installation of a 40 MVA, 110/35/22 kV transformer at the 110 kV substation at Gieng Day; (ii) installation of a 25 MVA, 110/22 kV transformer at the 110 kV substation at Giap Khau; (iii) installation of a 25 MVA, 110/35/22 kV transformer at the 110 kV substation at Ha Tu; (iv) strengthening the distribution network by: (A) upgrading voltage at about 150 substations; (B) changing voltage at about 10 substations; (C) installing about 187 new substations in overloaded areas of the city; (D) installation of about 8 km of underground cable and 25 km of double-circuit and 80 km of single-circuit above-ground transmission lines; and (E) upgrading of about 480 km of distribution lines and installation of about 15,000 customer meters; and (v) provision of training facilities.

(b) Resettlement and rehabilitation of Affected Persons under Part D(1)(a) above.

(2) Vinh Distribution Network

(a) Rehabilitation and upgrading of the distribution network in the city of Vinh through: (i) construction of about 18,600 meters of 35 kV distribution lines and about 112 km of 22 kV transmission lines; (ii) installation or replacement of about 205 distribution transformers in 22/0.4 kV and 10-22/0.4 kV substations; (iii) addition of about 172 km of 0.4 kV distribution lines and installation of about 39,000 customer meters; and (iv) provision of training facilities.

(b) Resettlement and rehabilitation of Affected Persons under Part D(2)(a) above.

(3) Vung Tau Distribution Network

(a) Rehabilitation and upgrading of the distribution network in the city of Vung Tau through: (i) upgrading voltage level of 15 kV overhead lines to 22 kV; (ii) adding about 93 km of copper underground cable and replacing about 20 km of overhead lines; (iii) installation of about 40 sets of remote controlled reclosers and about 80 sets of remote controlled load break switches and replacement of about 300 sets of fuses; (iv) construction of about 195 new 22/0.4 kV substations; (v) construction of about 484 km of aluminum conductor lines; (vi) installation of a supervisory control and data acquisition (SCADA) system; (vii) installation of energized cable sensors, line fault locators, voltage indicators and related devices; and (viii) provision of training facilities.

(b) Resettlement and rehabilitation of Affected Persons under Part D(3)(a) above.

Part E: Institution Building and Reform

Strengthening the Borrower's power sector regulatory capacity through preparation of detailed working procedures and analytic tools needed to regulate the power sector effectively, and the provision of consultants' services and training of selected staff of regulatory institutions in the use of said procedures and tools.

Part F: Demand Side Management

Development of demand side management (DSM) capability within EVN and relevant agencies of the Borrower, through:

(1) creation of a DSM cell to: (a) design a national DSM policy framework; (b) develop a regulatory mechanism to encourage DSM activities; (c) prepare and implement initial DSM programs; (d) coordinate DSM program implementation; and (e) monitor and evaluate DSM programs;

(2) carrying out of load research and implementation of a pilot load management program;

(3) design and implementation of a pilot municipal lighting program; and

(4) design and implementation of efficiency standards for: (i) lighting equipment, industrial motors, and the testing of equipment at existing testing facilities in nearby countries; and (ii) commercial buildings; all through the provision of consultants' services and testing equipment.

Part G: Disaster Reconstruction

Reconstruction of typhoon-affected electricity distribution networks through: (i) construction of about 180 km of low voltage distribution lines; (ii) construction of about 160 km of medium voltage distribution lines; (iii) installation of about 320 transformers of a capacity aggregating to 25 MVA; and (iv) installation of electrical switching and control equipment for distribution substations, in the Borrower's provinces of (1) Ca Mau, Kien Giang, Bac Lieu, Soc Trang, Tra Vinh, Ben Tre, Tien Giang, Ba Ria - Vung Tau and Binh Thuan, and (2) Can Gio.

* * *

The Project is expected to be completed by December 31, 2001.

SCHEDULE 3

Procurement

Section I. Procurement of Goods

Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto. 2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

(b) Notification and Advertising The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

National Competitive Bidding

Urgently required concrete poles, aluminum conductor steel reinforced (ACSR) conductors and transformers under Part G of the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

The procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply with respect to each contract for goods.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and paragraphs 3.1 through 3.4 thereof.

Part C: Other Procedures for the Selection of Consultants

Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

SCHEDULE 4

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means, in the case of the EVN Special Account Categories (1)(a) and (2)(a); in the case of the HCMCPC Special Account Categories (1)(b), (2)(b), and 2(g); in the case of the PC1 Special Account Categories (2)(c) and (2)(d); and in the case of the PC2 Special Account Categories (2)(e) and 2(f);

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Parts A, C, and D of the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount to be withdrawn from the Credit Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule, equivalent, in the case of the EVN Special Account to \$2,000,000; in the case of the HCMCPC Special Account to \$1,000,000; in the case of the PC1 Special Account to \$500,000; and in the case of the PC2 Special Account to \$600,000; provided, however, that unless the Association shall otherwise agree, the Authorized Allocation for:

(i) the EVN Special Account shall be limited to an amount equivalent to \$1,000,000 until the aggregate amount of withdrawals from the Credit Account allocated to Categories (1)(a) and (2)(a) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Part A of the Project shall be equal to or exceed the equivalent of SDR 2,000,000;

(ii) the HCMCPC Special Account shall be limited to an amount equivalent to \$500,000 until the aggregate amount of withdrawals from the Credit Account allocated to Categories (1)(b), (2)(b) and 2(g) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Part C of the Project shall be equal to or exceed the equivalent of SDR 1,000,000;

(iii) the PC1 Special Account shall be limited to an amount equivalent to \$250,000 until the aggregate amount of withdrawals from the Credit Account allocated to Categories (2)(c) and (2)(d) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Parts D(1) and D(2) of the Project shall be equal to or exceed the equivalent of SDR 500,000; and

(iv) the PC2 Special Account shall be limited to an amount equivalent to \$300,000 until the aggregate amount of withdrawals from the Credit Account allocated to Categories (2)(e) and 2(f) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Part D(3) of the Project shall be equal to or exceed the equivalent of SDR 600,000.

2. Payments out of the respective Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the respective Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Association requests for deposits into the respective Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the respective Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into any Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Accounts;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the respective Special Account, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Parts of the Project related to that Special Account, shall equal the equivalent of twice the amount of the Authorized Allocation for that Special Account. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories for that Special Account shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of any Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the respective Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into any Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in any Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Accounts.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 5

Implementation Program

A. Technical Assistance

1. The Borrower shall carry out Part E of the Project in accordance with a time bound action plan acceptable to the Association.

B. Electricity Tariffs

1. The Borrower shall take all necessary steps to raise average retail electricity tariffs, according to a progressive schedule satisfactory to the Association, to not less than \$0.07/kilowatt hour by March 1, 2001.

C. Procurement

1. Without limitation to Section 3.03 and Schedule 3 to this Agreement, the Borrower shall, no later than June 1, 1998, appoint a procurement monitoring group with responsibility, inter alia, for monitoring all procurement activities in connection with the Project and consulting with the Association in respect thereof.

D. Demand Side Management

1. The Borrower, through MOI, with the assistance of EVN, Borrower's Ministry of Science, Technology and Environment (MOSTE) and Ministry of Construction (MOC), shall:

a. no later than September 30, 2000, establish, in form and substance satisfactory to the Association:

(i) energy efficiency standards for lighting and motors; and

(ii) an energy efficiency building code for commercial buildings;

b. no later than December 31, 1999, prepare and implement a pilot load management program, acceptable to the Association, in at least 50 buildings; and

c. carry out Part F of the Project in accordance with a time-bound action plan acceptable to the Association and, to that end, in accordance with the provisions of Section II of Schedule 3 to the Development Credit Agreement, shall, no later than June 1, 1998, employ consultants under terms of reference satisfactory to the Association.

